

Message Text

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42

ACTION NEA-16

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TO SECSTATE WASHDC 7391

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E.O. 11652: N/A

TAGS: EIND, EFIN, IR, GW

SUBJECT: IRAN PURCHASES ONE-FOURTH OF KRUPP

1. STATEMENT ISSUED BY MINISTRY OF ECONOMICS AND FINANCE LATE IN AFTERNOON JULY 17 REPORTS IRANIAN PURCHASE OF 25.04 PERCENT EQUITY INTEREST IN FRIED KRUPP HUTTENWERKE AG, KRUPP GROUP STEEL MANUFACTURING CONCERN. NEITHER GERMANEMBASSY NOR MINISTRY SOURCE WOULD SAY HOW MUCH MONEY INVOLVED OTHER THAN THAT AMOUNT COULD BE IN \$BILLION RANGE. GERMAN ECONOMIC/COMMERCIAL COUNSELOR GERHARDT SAID NEGOTIATIONS COMPLETED DURING PAST SEVERAL DAYS WHILE KRUPP CHAIRMAN BERTHOLD BEITZ WAS IN TEHRAN. GERHARDT CLAIMED GERMAN AMBASSADOR INFORMED ONLY IN GENERAL TERMS ABOUT DEAL AND THAT EMBASSY HAD NOT EVEN RECEIVED ADVANCE COPY OF GOI STATEMENT ON TRANSACTION. HE ALSO SAID BEITZ HAD BEEN RECEIVED BY SHAH.

ACCORDING TO SOURCE IN DIVISION OF FOREIGN LOANS AND CREDITS, MINISTRY OF ECONOMICS AND FINANCE, NEGOTIATIONS WITH KRUPP HAD BEEN UNDER WAY FOR SEVERAL MONTHS AND PURCHASE OF EQUITY IN COMPANY IS IN LINE WITH OVERALL GOI POLICY TO INVEST SURPLUS
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FOREIGN EXCHANGE EARNINGS ABROAD. KRUPP SHARES WILL BE CON-

TROLLED BY MINISTRY OF ECONOMICS AND FINANCE, IN WHICH SPECIAL DEPARTMENT WILL BE STABLISHED FOR SUPERVISION BOTH OF GOI FOREIGN INVESTMENT AND OFFICIAL BILATERAL AND MULTILATERAL LENDING ABROAD (REFTEL). DIVISION OF FOREIGN LOANS AND CREDITS WILL BECOME PART OF NEW DEPARTMENT WHICH WILL BE SET UP AFTER APPROPRIATE LEGISLATION PASSED BY MAJLIS (PARLIAMENT).

3. OFFICIAL STATEMENT ALSO SAID IRAN WILL NOMINATE MEMBER FOR SUPERVISORY BOARD OF KRUPP ENTERPRISES AND THAT JOINT INVESTMENT COMPANY WILL BE SET UP IN ZURICH TO ACQUIRE OTHER INVESTMENTS OF INTEREST TO KRUPP AND IRANIANS OUTSIDE WEST GERMANY. THROUGH JOINT INVESTMENT COMPANY, TECHNOLOGICAL KNOW-HOW FROM KRUPP GROUP OF COMPANIES WILL BE CHANNELED TO IRAN FREE OF CHARGE.

4. COMMENT KRUPP INVESTMENT MARKS FIRST LARGE SCALE PURCHASE BY IRAN KNOWN TO EMBASSY OF BIG EQUITY SHARE IN IMPORTANT MULTINATIONAL FIRM. THOUGH NO KNOWN COLLABORATIONS WORKED OUT THUS FAR, SEEMS LIKELY KRUPP WILL BE INVOLVED IN PROJECTED EXPANSION OF IRAN'S IRON AND STEEL INDUSTRY (TEHRAN A-80). EMBASSY WILL APPRECIATE RECEIVING ANY INFORMATION ON DEAL AVAILABLE TO EMBASSY BONN.
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